Taxes - The model calculates income taxes at the federal corporate rate of 34 percent automatically. I believe that whether the cable entity itself pays taxes, or the tax burden is passed through to the system's owner in the form of a partnership or other structure, income taxes are a cost of doing business that should be recovered. The model uses a stand-alone approach to calculating taxes.

Expense Allocation

The next step in the process is the allocation of the expenses to the correct service category. Costs that directly relate to a category (basic programming expense to the basic category) are directly assigned. Where expenses are not directly assigned, an allocation method is used (in some cases direct allocations are made to two or more categories). The worksheet provides for two allocation methodologies:

a. Allocation based on relative proportion of revenue per service

b. Allocation based on subscribers

The expense category Program-Basic has been directly allocated to the basic program revenue category. If a CPS tier exists, the Basic Program expense would be allocated between the two services based on subscriber weighted channels. This is appropriate because, in most cases, the program expense is paid on a per-subscriber basis. The Program-Pay expense is also directly allocated to the pay program revenue category. If records for pay-per-view expenses are available, they would also be placed in this category.

I have allocated the Operations expense category primarily to the Basic Service Category. The reason for this allocation is that network operations and maintenance are not performed on a per-channel basis. Cable networks are maintained and operated in totality and I believe the correct allocation of operation and maintenance expenses should be based on the total network constructed to deliver basic service. This produces an allocation which reflects the actual requirement to maintain and operate the network.

I have allocated the Marketing expense category based on the proportional revenue obtained from any singular service category. This allocation, based on revenue, produces an economic allocation which properly reflects the value of the marketing expense to the cable television system.

The General and Administrative expense is allocated based on the number of subscribers in each service category. Because many of the items included in the General and Administrative category are subscriber related (billing, customer service, etc.), I have determined that an allocation based on subscribers is most representative of the value of this service to the system.

The Corporate expense category is similar to General and Administrative. Corporate expenses include management expenses, and legal and accounting expenses. Because these are services applied evenly throughout the system, I believe the best representation of value is a distribution via subscribers.

The Depreciation and Amortization expenses are allocated directly. I assume that most operators will allocate these expenses largely to basic services. The FCC has used

this "building block" approach in its treatment of equipment charges in its benchmark calculations, and I think it is appropriate to allocate the depreciation of tangible assets largely to the basic service that all subscribers must obtain (by Congressional mandate) before taking any other services. Similarly, amortization expenses (which largely represent the deferred start-up costs that cable operators incur before revenues are sufficient to cover expenses) are appropriately allocated to basic service.

Rate Base

The next item to be calculated is the rate base. The major rate base item is the cable television system physical plant. In addition, cable plant under construction (and budgeted for construction within the next 12 months), deferred start-up costs, and the interest expense of carrying all these costs (including construction costs before depreciation is actually recovered) are included. Deferred start-up costs include the unrecovered costs of beginning operations, as well as early-year operating losses that are not covered by revenues in those years. It is appropriate to include all of these deferred costs in the rate base and then amortize them over the life of the investment cycle because the cable operator must raise enough money prior to beginning construction to cover these early-year losses. In addition, the money raised by the operator must be sufficient to cover interest payments on both construction costs and deferred start-up costs, until the system has revenues large enough to begin contributing toward a return on investment. Accumulated deferred income taxes, customer deposits, and a working capital allowance can be entered when appropriate. Because most cable operators charge for cable service in advance, I have not included a separate category for working capital. While an extensive lead-lag study could be performed, I believe it would show working capital to be near break-even These items are calculated as follows:

Cable Television Physical Plant: The typical measure of tangible asset value (for cost of service) is original cost. Where the existing operator has built (or rebuilt) the system, its recorded costs of construction are entered here. For many cable systems, however, this information simply does not exist. Because of record keeping, rebuilds, reconstructions and upgrades, the original cost standard may be an inadequate and inaccurate measure of plant value in these cases. In cases where accurate information exists it should be used. In addition, where the system has been acquired, original cost data will generally be unavailable. In these cases, I suggest utilizing reproduction cost new, less depreciation, as the primary element in the rate base. Reproduction cost new, less depreciation, measures the cost required to reproduce the existing facility in substantially its present form at current price levels.

I have constructed a model which allows for the input of system specific information (number of channels, miles of plant, aerial or underground, homes passed, and a cost factor based on whether the system is operating in an urban, rural or suburban community). Using these factors, I have relied on my lengthy experience in cable television consulting to build a model that reflects the average cost of constructing that cable system on the date the system was acquired. The reproduction cost new is intended to reflect average costs to construct different types of systems. A system's actual construction cost may vary from the average. I then depreciate that reproduction cost on a straightline, 12-year basis to reflect its average age.

I have estimated the average useful economic life of cable plant to be 12 years. Included in the definition of plant are the actual cable used for signal transmission, drop cable to the customer premises, plant electronics (actives and passives), strand, pedestals, conduit,

headend equipment, satellite earth stations, television antennae and assorted furniture, fixtures, and equipment necessary for operating a cable television system. Some plant lasts longer than 12 years, and some plant lasts for shorter periods of time. The factors contributing to the useful economic life of plant include geographic location, whether or not the plant is aerial or underground, and construction quality. Other factors include those related technological obsolescence. Based on my experience with a wide variety of systems, 12 years is the average useful economic life of a cable television system properly maintained.

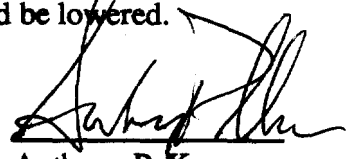
Cable Plant Under Construction: In addition to the plant listed above, cable television plant under construction or planned for construction during the next 12 months should be included in the rate base. Cable plant under construction should be valued at its cost and entered into the rate base.

Deferred Start-up/Operating Costs: As noted above, cable television operations typically require a period of years before revenues can be increased to the point where they cover operating expenses and depreciation, and provide a return to investors (and repayment of interest). Where a cable operator has constructed its own system and maintained records of these deferred expenses, these numbers may be used. But where such records are not available or where portions of the system have been acquired after construction, the model calculates typical deferred start-up costs depending on the characteristics of the system. These factors are based on my extensive background analyzing actual cable system operations. The variables include the number of subscribers, system density, current penetration, miles of cable plant, and average total revenue per subscriber. The model assumes a complete reconstruction of the cable system and calculates losses until the break-even point is reached. The model adds an interest component, based on a compounded prime rate, in recognition that these deferred costs, as well as construction costs prior to recovery of depreciation, must be borrowed, and interest must be paid until revenues begin to generate a return. In some cases the system being examined will be beyond the break-even point and into profitability. In cases such as this the model amortizes the total deferred costs over the economic life of the plant -- assumed to be 12 years after acquisition.

Return Rate: The next section is used to calculate the rate of return. I have structured the rate of return to reflect the actual capitalization of the cable system. This is accomplished through a weighted average cost of capital calculation. In this calculation the cost of equity is weighted with the cost of debt to obtain the rate of return. By calculating the rate of return based on the systems' actual capital structure, a measure of industry and system risk is included. In developing the return for any company, it is critical to take into consideration its specific risk factors. Within the cable industry different companies have different risk levels by virtue of the areas they serve and the type of population they serve. For purposes of example, I have included a default average blended return (debt and equity) of 15 percent in the model.

Revenue Requirement & Comparison to Current Rates

The final worksheets calculate the revenue requirement based on operating expenses, rate base and rate of return. Rate base is multiplied by the rate of return. Allocated operating and depreciation expense are added. Bad debt is added to the cost based revenue requirement. If the revenue requirement is higher than the actual revenue for the service category, the cost of service is higher and the current rates could be raised. If the revenue requirement is lower that the actual revenue, then the cost of service is lower and the rate could be lowered.



Anthony P. Kern

ARTHUR ANDERSEN

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RESUME OF ANTHONY P. KERN

ARTHUR ANDERSEN & CO., SC

Anthony P. Kern is a Senior Manager in Arthur Andersen's worldwide telecommunications practice. He has responsibility for a variety of projects including management consulting, business planning, acquisition review, due diligence, the valuation of tangible and intangible property for tax purposes, fair market valuations, management audits, feasibility studies, damage assessments and general litigation support. Additionally, he serves as a management and acquisition advisor to a public telecommunications growth and income fund.

Mr. Kern has extensive experience in management and systems evaluation of both franchise and private cable television systems, programmers, telecommunications networks, radio and television stations, cellular telephone systems, paging systems, microwave systems and special mobile properties. Additionally, he has developed numerous business plans for new media projects including programming ventures and new-technology companies. In his nineteen years in the media business, Mr. Kern has directed consulting applications for over $35 billion in telecommunications properties, and is a recognized expert by the United States Federal Courts in matters of telecommunications management, transactions, and valuations.

Mr. Kern was previously with the communications consulting firm of Malarkey-Taylor Associates as Vice President and Managing Director. Prior to that he was with Frazier, Gross & Kadlec, Washington, D.C. as a Project Director. Additionally, Mr. Kern has held operations positions at NBC and ABC owned and operated radio stations. He has also held the positions of Director of Sales and Marketing of a broadcast/cable electronics manufacturer and Regional Director of a national business development organization.

EXPERIENCE

1991 - Present: - Arthur Andersen & Co.

1986-1991 - Malarkey-Taylor Associates, Inc., Washington, D.C.
Vice President & Managing Director
- Telecommunications consultants

Responsible for all financial and management projects for clients in Cable, Broadcasting, Cellular, Paging, Programming, Telecommunications and related industries.

1985-1986 - Frazier, Gross & Kadlec, Inc., Washington, D.C.
Project Director/Financial Analyst
- Communications Consultants

Responsible for valuation of cable television systems, broadcast properties, print properties, profitability assessments, management audits and client litigation support.

1983-1985 - Mid Atlantic Business Investment Group, Washington, D.C.
Regional Director
- Business Consulting Firm
Responsible for regional valuation and brokerage practice.

Wilkinson Electronics, Philadelphia, PA.
Director of Sales and Marketing
Responsible for the sales and marketing effort for this international equipment manufacturer.

1980-1988 - NBC's WKYS-FM, Washington, D.C.
Staff Announcer

1978-1980 - ABC's WRQX-FM, Washington, D.C.
Director of Operations and Staff Announcer,
Responsible for the day-to-day operations of this network owned station.

EDUCATION

BA Telecommunications, Michigan State University, 1978, East Lansing, Michigan. Graduate coursework in communications law and cable television management. Nominated outstanding Senior 1978. Various Coursework Certifications - American Society of Appraisers.

ORGANIZATIONS/BOARD POSITIONS

Member, Federal Communications Bar Association
Member, Cable Television Tax Professionals Institute
Member, Turnaround Management Association
Member, American Federation of Television & Radio Artists
Member, Maryland Historic Trust
Member, National Trust for Historic Preservation
Board of Directors - KCI Radio Partners, Inc.
Board of Directors - CGC, Inc.
Board of Directors - Malarkey-Taylor Associates, Inc. (former)
Executive Committee - Malarkey-Taylor Associates, Inc. (former)

PERSONAL

Birthdate - September 30, 1956
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Cost of Service Analysis Template—Short Form Use on Franchise, System, or Consolidated Accounting Basis

WORKSHEET 1	From Records	Norm Adjs	As Adj	Direct	Alloc Type	Allocated	Basic Tier	Basic Alloc	CPS Tier	CPS Alloc	Equipment	Equip Alloc
Revenue – A	$9,437,000	$0	$9,437,000		A		$6,800,000		$0		$490,000	
Subscribers – B	48,800	0	48,800		B		29,000		0		0	
Channels – C	30	0	30		C		25		0		0	
Rate							$22.00		$0.00		$0.00	
Basis: Consolidated Accounting												
Expenses							Basic Direct Entry		CPS Direct Entry		Equip Direct	
Program – Basic	$1,008,000	$0	$1,008,000	1,007,084	D	$908	$950,886	$0	$0	$0	$0	$0
Program – Pay	865,000	0	$865,000	864,336	D	664	0	0	0	0	0	0
Local Origination	0	0	$0	0	D	0	0	0	0	0	0	0
Instructional Network	0	0	$0	0	D	0	0	0	0	0	0	0
Pay - Per - View	5,000	0	$5,000	5,000	D	0	0	0	0	0	0	0
Technical Salaries & Benefits	750,000	0	$750,000	750,000	D	0	425,000	0	0	0	225,000	0
System Repair & Maintenance	220,000	0	$220,000	175,000	D	45,000	145,000	0	0	0	30,000	0
Tower/Headend Site Rental	12,000	0	$12,000	12,000	D	0	12,000	0	0	0	0	0
Technical Facility Leasehold	5,000	0	$5,000	5,000	D	0	5,000	0	0	0	0	0
System Power	38,000	0	$38,000	38,000	D	0	38,000	0	0	0	0	0
Communications	5,000	0	$5,000	5,000	D	0	5,000	0	0	0	0	0
Small Tools & Supplies	12,000	0	$12,000	12,000	D	0	12,000	0	0	0	0	0
Vehicles	18,000	0	$18,000	18,000	D	0	18,000	0	0	0	0	0
Pole Rental	18,000	0	$18,000	18,000	D	0	18,000	0	0	0	0	0
Outside Consulting	14,000	0	$14,000	14,000	D	0	14,000	0	0	0	0	0
Converter Repair & Maintenance	18,000	0	$18,000	0	A	18,000	0	12,970	0	0	0	936
Other	75,000	0	$75,000	35,000	D	40,000	35,000	0	0	0	0	0
Marketing & Advertising	175,000	0	$175,000	0	A	175,000	0	126,098	0	0	0	9,097
Commission Sales – Basic	38,000	0	$38,000	61,000	D	(23,000)	38,000	0	0	0	0	0
Commission Sales – Pay	23,000	0	$23,000	1,030,000	D	(1,007,000)	1,030,000	0	0	0	0	0
Other	0	0	$0	0	D	0	0	0	0	0	0	0
Other	0	0	$0	0	D	0	0	0	0	0	0	0
Non - Technical Salaries & Benefits	1,450,000	0	$1,450,000	420,000	D	1,030,000	0	0	0	0	180,000	0
Other Building Lease/Rent	48,000	0	$48,000	0	B	48,000	0	26,748	0	0	0	0
Franchise Fee	206,000	0	$206,000	0	B	206,000	0	121,624	0	0	0	0
Copyright Fee	35,000	0	$35,000	0	B	35,000	0	20,788	0	0	0	0
Other Fees	0	0	$0	0	B	0	0	0	0	0	0	0
Property Taxes	40,000	0	$40,000	0	B	40,000	0	23,779	0	0	0	0
Accounting	12,000	0	$12,000	0	B	12,000	0	7,131	0	0	0	0
Legal	12,000	0	$12,000	0	B	12,000	0	7,131	0	0	0	0
Insurance	25,000	0	$25,000	0	B	25,000	0	14,857	0	0	0	0
Computer System	5,000	0	$5,000	0	B	5,000	0	2,971	0	0	0	0
Postage	75,000	0	$75,000	0	B	75,000	0	44,570	0	0	0	0
Billing	75,000	0	$75,000	0	B	75,000	0	44,570	0	0	0	0
Phone/Communications	40,000	0	$40,000	0	B	40,000	0	23,770	0	0	0	0
Office Supplies	88,000	0	$88,000	0	B	88,000	0	52,295	0	0	0	0
Pension Plan	100,000	0	$100,000	0	B	100,000	0	59,426	0	0	0	0
Travel	3,000	0	$3,000	0	B	3,000	0	1,783	0	0	0	0
Bad Debt	100,000	(100,000)	$0	0	B	0	0	0	0	0	0	0
Other	0	0	$0	0	B	0	0	0	0	0	0	0
Other	0	0	$0	0	B	0	0	0	0	0	0	0
Other	0	0	$0	0	B	0	0	0	0	0	0	0
Other		0	$0	0	B	0	0	0	0	0	0	0
Operating SubTotal	$5,608,000	($100,000)	$5,508,000	$4,469,420	$0	$1,038,580	$2,745,886	$680,709	$0	$0	$435,000	$10,021
Annual DSOC Amortization	254,264		254,264	0	A	254,264	0	163,215		0		13,202
Annual Depreciation	2,758,345		2,758,345	1,838,188	D	920,177	1,700,000	0		0	138,168	0
Other	0		0	0		0		0		0		0
Total Expenses	$8,621,609	($100,000)	$8,521,609	$6,307,598		$2,214,011	$4,445,886	$773,924	$0	$0	$573,168	$23,223
Operating Income/(Loss)	$815,391											
Item	From Records	Norm Adjs	As Adj	Direct	Alloc Type	Allocated	Basic Tier	Basic Alloc	CPS Tier	CPS Alloc	Equipment	Equip Alloc

Additional Outlets	Addnt. Allocation	Installation	Install Alloc	PPV/PPC	PPV Alloc	Other 1	O 1 Alloc	Other 2	O 2 Alloc	Other 3	O 3 Alloc	Other 4	O 4 Alloc	Pay Services	Pay Alloc
$345,000		$135,000		$10,000		$150,000		$32,000		$0		$25,000		$1,450,000	
0		0		0		2,300		0		0		0		17,500	
0		0		0		0		0		0		0		5	
$0.00		$0.00		$0.00		$0.00		$0.00		$0.00		$0.00		$7.19	
Addnt. Direct		Install Direct		PPV Direct		Other 1 Direct		Other 2 Direct		Other 3 Direct		Other 4 Direct		Pay Direct Entry	
$0	$0	$0	$0	$0	$0	$56,208	$0	$0	$0	$0	$0	$0	$0	$0	$0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	864,336	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	5,000	0	0	0	0	0	0	0	0	0	0	0
0	0	100,000	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	868	0	257	0	19	0	286	0	61	0	0	0	48	0	2,766
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	8,398	0	2,503	0	186	0	2,782	0	593	0	0	0	464	0	26,869
0	0	0	0	0	0	0	0	0	0	0	0	0	0	23,000	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
125,000	0	70,000	0	0	0	45,000	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	2,131	0	0	0	0	0	0	0	16,157
0	0	0	0	0	0	0	9,582	0	0	0	0	0	0	0	73,814
0	0	0	0	0	0	0	1,860	0	0	0	0	0	0	0	12,851
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	1,665	0	0	0	0	0	0	0	14,344
0	0	0	0	0	0	0	966	0	0	0	0	0	0	0	4,308
0	0	0	0	0	0	0	846	0	0	0	0	0	0	0	4,308
0	0	0	0	0	0	0	1,178	0	0	0	0	0	0	0	8,695
0	0	0	0	0	0	0	238	0	0	0	0	0	0	0	1,793
0	0	0	0	0	0	0	3,576	0	0	0	0	0	0	0	26,695
0	0	0	0	0	0	0	3,536	0	0	0	0	0	0	0	25,695
0	0	0	0	0	0	0	1,965	0	0	0	0	0	0	0	14,344
0	0	0	0	0	0	0	4,148	0	0	0	0	0	0	0	51,557
0	0	0	0	0	0	0	4,713	0	0	0	0	0	0	0	35,861
0	0	0	0	0	0	0	141	0	0	0	0	0	0	0	1,078
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
$125,000	$7,058	$170,000	$2,761	$5,000	$205	$101,208	$38,887	$0	$654	$0	$0	$0	2,754	$867,336	$302,195
	9,295		3,637		269		4,041		862		0		674		38,068
	0		0		0		0		0		0		0		0
	0		0		0		0		0		0		0		0
$125,000	$16,351	$170,000	$6,398	$5,000	$474	$101,208	$42,929	$0	$1,517	$0	$0	$0	$3,428	$867,336	$341,263
Additional Outlets	Addnt. Allocation	Installation	Install Alloc	PPV/PPC	PPV Alloc	Other 1	O 1 Alloc	Other 2	O 2 Alloc	Other 3	O 3 Alloc	Other 4	O 4 Alloc	Pay Services	Pay Alloc

WORKSHEET II

Tax Information	
Fed Tax Rate	34.00%
State Tax Rate	6.00%
Composite Tax Rate	37.96%

System Life Information	
Average Economic Plant Life	12
Investment Cycle	12
Other Info	
Rate of Return on Rate Base	14.22%
% Equity	36.59%
Current Year	1993

For Systems & Portions of Systems You Built	
Construction Information	
Original Construction Cost	$1,500,000
Plus: Rebuilds & Upgrades	$500,000
Total	$2,000,000
Budgeted 12 Month Constr.	$300,000
Average Age of Plant (Years)	2
Accumulated Deficit	$1,000,000

Current Inventory	$900,000
Current Acquired Plant Value	$19,954,570
Current Deferred Start-up/Operating Costs Amount	$762,792

For Systems & Portions You Purchased	
Acquisition Information	Entry
System Classification	2
If Large Urban Enter 1	
If Suburban Enter 2	
If Small Town Urban Enter 3	
If Rural Enter 4	
Aerial Miles	1400
Underground Miles	0
Average Age of Plant & Equipt (Today)	8
Average Year of Acquisition	1986
Total Homes Passed	47,000
Total Subscribers	29,000
Number of Active Channels	30
Annual Revenues	$9,497,000
Annual Operating Expenses	$5,809,000
Converters In Use ? Yes=1 No=2	1
If No End of Worksheet	
If Yes Percent of Subs With:	
System Owned Standard Units	30%
System Owned Addressable Units	20%

Cost of Capital	Actuals	Adjs	As Adjusted	Ratio	Annual cost %	Wtd
Debt	$12,921,115		$12,921,115	0.634	8.00%	5.07%
Equity	7,452,595		7,452,595	0.366	25.00%	9.14%
Other_1			0	0.000		0.00%
Other_2			0	0.000		0.00%
Other_3			0	0.000		0.00%
Other_4			0	0.000		0.00%
Other_5			0	0.000		0.00%
Total	$20,373,710	$0	$20,373,710	1.000		14.22%

Revenue Requirement – Basic WorkSpace	
Rate Base Allocation % Based on Revenue	72.05%
Rate Base Computation	
Net Plant	$9,094,459
CPUC	216,170
Inventory	432,341
Deferred Start-up & Operating Costs	549,644
Less: Accumulated Deferred Inc Taxes	0
Less: Customer Deposits	0
Total Rate Base	$10,292,614
Rate of Return	
Return on Total Rate Base	$1,483,456
Income Taxes on Return of Equity	327,545
Plus: Operating Expenses	$3,336,595
Plus: Plant Depreciation	1,700,000
Plus: CPUC Depreciation	18,014
Plus: DSOC Amortization	183,215
SubTotal	$7,028,825
Revenue Related Taxes & Bad Debts %	78,206
Total Revenue Required	$7,107,031
Current Basic Revenue	$6,800,000
Over /Under	$307,031
Over/Under Per Sub/Month	$0.88

Revenue Requirement – CPS WorkSpace	
Rate Base Allocation % Based on Revenue	0.00%
Rate Base Computation	
Net Plant	$0
Net CPUC	0
Inventory	0
Deferred Start-up & Operating Costs	0
Less: Accumulated Deferred Inc Taxes	0
Less: Customer Deposits	0
Total Rate Base	$0
Rate of Return	
Return on Total Rate Base	$0
Income Taxes on Return of Equity	0
Plus: Operating Expenses	$0
Plus: Plant Depreciation	0
Plus: CPUC Depreciation	0
Plus: DSOC Amortization	0
SubTotal	$0
Revenue Related Taxes & Bad Debts %	0
Total Revenue Required	$0
Current CPS Revenue	$0
Over/Under	$0

Revenue Requirement – Equipment WorkSpace	
Rate Base Allocation % Based on Revenue	5.19%
Rate Base Computation	
Net Plant	$855,336
Net CPUC	16,577
Inventory	31,154
Deferred Start-up & Operating Costs	39,607
Less: Accumulated Deferred Inc Taxes	0
Less: Customer Deposits	0
Total Rate Base	$741,674
Rate of Return	
Return on Total Rate Base	$106,455
Income Taxes on Return of Equity	23,603
Plus: Operating Expenses	$445,021
Plus: Plant Depreciation	138,166
Plus: CPUC Depreciation	1,298
Plus: DSOC Amortization	13,302
SubTotal	$728,747
Revenue Related Taxes & Bad Debts %	5,086
Total Revenue Required	$734,833
Current Equipment Revenue	$490,000
Over/Under	$244,833

Revenue Requirement – Additional Outlet Fees WorkSpace	
Rate Base Allocation % Based on Revenue	3.66%
Rate Base Computation	
Net Plant	$461,410
Net CPUC	10,987
Inventory	21,935
Deferred Start-up & Operating Costs	27,866
Less: Accumulated Deferred Inc Taxes	0
Less: Customer Deposits	0
Total Rate Base	$522,199
Rate of Return	
Return on Total Rate Base	$74,249
Income Taxes on Return of Equity	16,618
Plus: Operating Expenses	$132,056
Plus: Plant Depreciation	0
Plus: CPUC Depreciation	914
Plus: DSOC Amortization	9,285
SubTotal	$233,132
Revenue Related Taxes & Bad Debts %	2,594
Total Revenue Required	$235,726
Current Additional Outlet Fees	$345,000
Over/Under	($109,274)

Revenue Requirement – Installation WorkSpace	
Rate Base Allocation % Based on Revenue	1.43%
Rate Base Computation	
Net Plant	$180,552
Net CPUC	0
Inventory	8,583
Deferred Start-up & Operating Costs	10,912
Less: Accumulated Deferred Inc Taxes	0
Less: Customer Deposits	0
Total Rate Base	$200,047
Rate of Return	
Return on Total Rate Base	$28,444
Income Taxes on Return of Equity	6,366
Plus: Operating Expenses	$172,761
Plus: Plant Depreciation	0
Plus: CPUC Depreciation	358
Plus: DSOC Amortization	3,637
SubTotal	$211,566
Revenue Related Taxes & Bad Debts %	2,354
Total Revenue Required	$213,920
Current Installation Revenue	$135,000
Over/Under	$78,920

Revenue Requirement – Other 1 WorkSpace	
Rate Base Allocation % Based on Revenue	1.59%
Rate Base Computation	
Net Plant	$200,613
Net CPUC	4,768
Inventory	9,537
Deferred Start-up & Operating Costs	12,124
Less: Accumulated Deferred Inc Taxes	0
Less: Customer Deposits	0
Total Rate Base	$227,043
Rate of Return	
Return on Total Rate Base	$32,282
Income Taxes on Return of Equity	7,225
Plus: Operating Expenses	$140,095
Plus: Plant Depreciation	0
Plus: CPUC Depreciation	397
Plus: DSOC Amortization	4,041
SubTotal	$184,042
Revenue Related Taxes & Bad Debts %	2,048
Total Revenue Required	$186,089
Current Other 1	$150,000
Over/Under	$36,089

Revenue Requirement – Other 2 WorkSpace	
Rate Base Allocation % Based on Revenue	0.34%
Rate Base Computation	
Net Plant	$42,797
Net CPUC	1,017
Inventory	2,035
Deferred Start–up & Operating Costs	2,587
Less: Accumulated Deferred Inc Taxes	0
Less: Customer Deposits	0
Total Rate Base	$48,436
Rate of Return	
Return on Total Rate Base	$6,887
Income Taxes on Return of Equity	1,541
Plus: Operating Expenses	$654
Plus: Plant Depreciation	0
Plus: CPUC Depreciation	85
Plus: DSOC Amortization	862
SubTotal	$10,030
Revenue Related Taxes & Bad Debts %	112
Total Revenue Required	$10,141
Current Other 2	$32,000
Over/Under	($21,859)

Revenue Requirement – Other 3 WorkSpace	
Rate Base Allocation % Based on Revenue	0.00%
Rate Base Computation	
Net Plant	$0
Net CPUC	0
Inventory	0
Deferred Start–up & Operating Costs	0
Less: Accumulated Deferred Inc Taxes	0
Less: Customer Deposits	0
Total Rate Base	$0
Rate of Return	
Return on Total Rate Base	$0
Income Taxes on Return of Equity	0
Plus: Operating Expenses	$0
Plus: Plant Depreciation	0
Plus: CPUC Depreciation	0
Plus: DSOC Amortization	0
SubTotal	$0
Revenue Related Taxes & Bad Debts %	0
Total Revenue Required	$0
Current Other 3	$0
Over/Under	$0

Revenue Requirement – Other 4 WorkSpace	
Rate Base Allocation % Based on Revenue	0.26%
Rate Base Computation	
Net Plant	$33,436
Net CPUC	795
Inventory	1,589
Deferred Start–up & Operating Costs	2,021
Less: Accumulated Deferred Inc Taxes	0
Less: Customer Deposits	0
Total Rate Base	$37,840
Rate of Return	
Return on Total Rate Base	$5,380
Income Taxes on Return of Equity	1,204
Plus: Operating Expenses	$2,754
Plus: Plant Depreciation	0
Plus: CPUC Depreciation	66
Plus: DSOC Amortization	674
SubTotal	$10,078
Revenue Related Taxes & Bad Debts %	112
Total Revenue Required	$10,190
Current Other 4	$25,000
Over/Under	($14,810)